US and leading experts in the field to make an assessment of the impact of the slow down in the US economy on the Information Technology Industry. While there is general agreement that the slow down in the US economy is having an adverse impact on the Indian Software Industry, there are different opinions about the extent of the decline in business and the duration for which this decline will continue. The principal impact being faced by the Indian Software Sector is increased pressure on margins. A solution for dealing with the situation that has found favour with industry is making pro-active efforts to develop and exploit markets in countries such as Germany, France, Italy, Australia, Japan etc. The Ministry of Information Technology has cooperation agreement with these countries which provide for exploring opportunities to develop bilateral trade and efforts have been mounted to enable Indian Companies to explore these markets more fully.

Export of Software

4479. SHRI K.M. KHAN: Will the Minister of INFORMATION TECHNOLOGY be pleased to state:

(a) whether Government have taken all the necessary steps to boost up the export of software;

(b) if so, the details thereof alongwith the achievements made in this regard during the last three years, till date, year-wise; and

(c) the details of the projection made/being made by Government in this direction?

THE MINISTER OF INFORMATION TECHNOLOGY (SHRI PRAMOD MAHAJAN): (a) and (b) The Government has taken a number of steps to boost the export of software. The details of the steps taken and the achievements made during the last three years (year-wise) are given in Statement-I. (*See* below)

(c) Government has projected an export target of US $ 50 billion worth of software export to be achieved by the year 2008, out of an estimated production of US $ 87 billion. The details are given in Statement II.

Statement I

Steps taken to boost the export of Software during the last three years

- Information Technology Software was exempted from Customs Duty *vide* Ministry of Finance (Department of Revenue) *Notification No. 46/98 dated 16.7.98.*
- The donation of computers, imported duty free by EOU/EPZ/ STP/EHTP units to recognised non-commercial educational institutions, registered charitable hospitals, public libraries, public funded research and development establishments, etc., two years after their use by the said units was permitted *vide* Ministry of Finance *Notification No. 47/98-Customs dated 16.7.98.*
- Manufactures-importers of Electronics goods having investment of Rs. 3 crores and above and units in EPZs/EHTP and STP are eligible for fast-track clearance of goods imported by them *vide* Ministry of Finance (CBEC) *Circular No. 56/98 dated 3.8.98*
- A special stock option scheme for Indian Software Companies linked with ADR/GDR offerings by these companies, as an instrument to enable these companies to provide incentives to retain their highly skilled professionals, was notified *vide* Reserve Bank of India (RBI) A.D.(M.A.) *Circular No. 25 dated 7.8.98.*
- RBI has framed Guidelines dated 8.8.98 for sanction of working capital finance to information technology and software industry.
- The Depreciation on Computers has been allowed @ 60% *vide* Ministry of Finance (CBEC) *Notification No. S.O. 781(E) dated 4.9.98.*
- The second-hand computers and computer peripherals donated by an outside donor to Government schools have been exempted from customs duties, *vide* Ministry of Finance *Notification No. 18/99-Cus. dated 11.2.99.*
- Benefit of Section 80 HHE extended to supporting software developers *(Budget 1999-2000)*

- Definition of Computer Software, as in Section 80 HHE of the Income Tax Act has been widened to include transmission of data *(Budget 1999-2000).*
- Exemption of withholding tax on interest on External Commercial Borrowings (ECBs) has been extended to the IT sector *(Budget 1999-2000).*
- Computer systems have been made freely importable *w.e.f. 1.4.99.*
- Provision for issue of Sweat Equity by companies has been introduced in the *Companies (Amendment) Act, 1999.*
- Software Technology Parks of India have set up a Business Support Centre in the United States in *November, 1999* to promote software exports from STP units.
- A National Venture Fund for Software and IT Industry (NFSIT) was set up in *December, 1999* with a corpus of Rs. 100 crores, out of which contribution of Ministry of Information Technology is Rs. 30 crores.
- Foreign investment of upto 100% is permitted in units set up solely for exports on automatic route, including Software Technology park (STP) units, *vide* Ministry of Industry, Department of Industrial Policy and Promotion *Press Note No. 2 (2000 Series) dated 11.2.2000.*
- Export Promotion Capital Goods Scheme (EPCG) has been rationalised and extended uniformly to all sectors without any threshold limit on payment of 5% duty *w.e.f. 1.4.2000.* Units in electronics and software sectors have option to apply for EPCG Licence to the competent authority on the basis of self-declaration regarding the nexus between the CG to be imported with the items to be exported.
- In the 2000-01 Budget, Customs duty on Computers and Peripherals has been reduced from 20% to 15%. The Customs duty on all storage devices, integrated circuits,

microprocessors, Data display tubes and Deflection components of colour monitors has been reduced to NIL rate.

- EOU/EPZ/STP/EHTP units are exempted from payment of Income Tax on export profits, upto 2010, in terms of Section 10A and 10B of the Income Tax Act *(Budget 2000-01).*
- Income by way of dividends or long-term capital gains of a Venture Capital Fund or Venture Capital company from investment made by way of equity shares in a Venture Capital Undertakings, which has been expanded to include the Software and IT sectors, will henceforth not be included in computing the total income *(Budget 2000-01).*
- To give thrust to Venture Capital finance, SEBI has been made the single point nodal agency for registration and regulation of both domestic and overseas Venture Capital Funds *(Budget 2000-01).*
- Employee Stock Option Plans (ESOP) shall be taxed @ 10% at the time of their sale only. The capital gains tax would be applicable on the difference between the sale price and the issue price *(Budget 2000-01).*
- *Information Technology Act 2000* has been enacted. This act deals with Cyber Security, Cyber Crime and other information security related legal aspects. This will encourage expansion of e-commerce through internet.
- Accelerated depreciation norms for computers and computer peripherals for electronic units under Export Oriented schemes (EOU/EPZ/STP/EHTP) enhanced in the EXIM Policy applicable *w.e.f. 1.4.2000.* These shall stand depreciated to overall limit of 90% over a period of 3 years instead of around 5 years earlier.
- There will be no tax on distributed or undistributed income of Venture Capital Funds. The income distributed by the VCFs will only be taxed in the hands of the investors at the rates applicable to the nature of the income *(Budget 2000-01).* VCFs will continue to be eligible for exemption even if the shares of

the VC undertaking in which the VCFs have made the initial investment are subsequently listed in a recognised stock exchange in India *(Budget 2001-02).*

- Under policy on portfolio investment, Foreign Institutional Investors (FIIs) are permitted to invest in a company upto an aggregate of 24% of equity shares, extendable upto 40% subject to approvals. This limit has been raised from 40% to 49% in the *(Budget 2000-01).*

- Tax holiday under provisions of Section 80-IA (Infrastructure Status) has been extended to Internet Service Providers (ISPs) and Broadband Network providers *(Budget 2001-02).*

- Two-way fungibility has been permitted for ADRs/GDRs. Local shares can now be reconverted into ADRs/GDRs, subject to sectoral caps *(Budget 2001-02).*

SOFTWARE EXPORT 1997-98 TO 2001-2001

Year	1997-98	1998-99	1999-2000	2000-01 (Estimated)
Rs. CR	6800.00	12500.00	17300.00	27500.00
US$ MLN.	1813.00	3012.00	4023.00	5978.00
Average Exchange Rate				
1 US$=	37.50	41.50	43.00	46.00

Statement-II

Opportunities by the Year 2008

Software sector	Total Market	Exports
IT Services	$ 38.5 billion	$ 23 billion
Software Products	$ 19.5 billion	$ 8 billion

Software sector	Total Market	Exports
IT Enabled Services	$ 19.0 billion	$ 15 billion
E-business	$ 10.0 billion	$ 4 billion
TOTAL	$ 87.0 billion	$ 50 billion

Promotion of IT

4480. SHRI ANANTA SETHI: Will the Minister of INFORMATION TECHNOLOGY be pleased to state:

(a) whether Government have any proposal to promote information technology in various Sates during the Ninth Five Year Plan period;

(b) if so, the allocation of fund made to the different States in the current plan period, year-wise;

(c) whether Government have proposal to enhance the allocation of funds for IT industry in 2001-2002; and

(d) if so, the steps taken in this regard, State-wise?

THE MINISTER OF INFORMATION TECHNOLOGY (SHRI PRAMOD MAHAJAN): (a) to (d) The Ministry of Information Technology supports a variety of technology projects and pilot application programme in Information technology being implemented by different agencies in the States. The details of such proposals received and action thereon by the Ministry of Information Technology is given in the Statement (*See* below). No specific allocation of funds for projects in Information Technology sector is made state-wise. However, funds are made available to the States where specific projects of technology development or pilot projects are taken up for implementation.